



Narrative Outline: 2009 Re-Valuation

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2009 Residential Evaluation

Problem:

It has been noted that with the absorption of five township assessors offices into the county assessors office there were a great number of inconsistencies. With regards to the subjectivity of grading, condition rating, delineation, and stratification there have been numerous different assessors and field appraisers that have made arbitrary determinations thereby causing a distinct need for transition to a consistent countywide standard.

These inconsistencies were not necessarily bound by township lines, within the same township, city, and even neighborhood the grading scale, condition rating, etc. have been determined to be incorrect. Furthermore, it was determined that there were inaccurate neighborhood boundaries and improper delineation and/or stratification. This was especially apparent within Elkhart Township, particularly within Goshen City Limits.

Also noted was a lack of consistent rental property valuation (per state guidelines) throughout the various townships, and entire county. Over the years, only two townships within the county have adapted any sort of income derived rental property valuation. Beyond the lack of uniform countywide income valuation, the areas in which gross rent multiplier valuation have been completed, have been completed poorly. Therefore it is necessary to review, correct, and expand upon the currently limited rental data and valuation.

Lastly, there have been notable issues in the software conversion from CAMA to PVD which have caused slightly skewed figures. The glitches range from problematic land value conversion to discrepancies with improvements. Listed below are the major noted differences in value.

Land

- *Site valued land did not transfer to PVD

- *Small acreage adjustments were not eliminated from parcels where the improvements straddle the property line. (Contiguous multi-parcel, same owner)

Improvements

- *Yard Items did not transfer consistently or correctly.

- *CAMA 800 field did not transfer to PVD

Solution:

Based on these findings, it was determined necessary to reevaluate the overall accuracy of assessment data in specific areas, and overall consistency of the county. The level of detail was determined by the overall accuracy of various areas, some areas were in need of greater evaluation than others. Also, all possible measures have been taken to ensure accuracy of PVD values in relation to CAMA. Noted below are the major points of interest, these are the areas that have been corrected in 2009.

Areas of Greatest Concern:

*Waterfront Property

- *All residential properties (vacant and improved) located on recreational bodies of water. Simonton Lake, Heaton Lake, Indiana Lake, Hunter Lake, Stone Lake, and St. Joseph River.

*High Dollar Properties

- *Neighborhoods with average property values exceeding \$300k.
- *Individual properties with values exceeding \$500k.

*Residential Rental Properties

- *1-4 unit properties used for rental (income) purposes

*Urban Elkhart Township

- *Entire city of Goshen

*Neighborhoods with inconsistent trending factors

- *Neighborhoods with atypically high or low trending factors (above 1.30 or below .80)

- *Neighborhoods with trending factors that have changed more than 10% in a single year.

- *Neighborhoods constructed prior to 1940

Waterfront Property

The problems with these areas have historically been inappropriate distribution in value between land and improvements. Further amplifying this problem, particularly in Osolo Township, is that over the years rather than allowing trending factors to appropriately adjust for market conditions changes were made to improvements in an attempt to arrive at predetermined values. These improvement changes most commonly took the form of over-assessment to improvements, i.e. over grading, incorrect heightening of condition rating, etc.

Improvements:

The first step taken toward proper assessment of land and improvements for these types of properties was to go back and make sure the improvements were listed correctly. Outlined below are the steps taken to ensure the most accurate assessments possible.

- I) Field review of all waterfront properties
 - A) Correcting grade and condition based on exterior inspection
 - B) Application of effective year, based on noted exterior remodeling
 - 1) Effective year based on uniform county guidelines
- II) MLS review of all waterfront properties
 - A) Addition of any amenities not noted on tax records (extra fixtures, basement finish, etc.)
 - B) Application of effective year, based on noted interior remodeling
 - 1) Effective year based on uniform county guidelines

Neighborhood Delineation:

The next step necessary before land values could be properly established is to appropriately delineate and stratify waterfront neighborhoods. For the most part the neighborhoods were correct for, however, it was necessary to move a small number of parcels from one neighborhood to another to appropriately reflect channel, lake front, or river front location. It was also noted that within certain neighborhoods there were small groups of properties that required adjustments for things like view, waterfront quality (marsh), and also to offset excessive or unusual depth factors.

Land Valuation:

The next step taken toward correct and uniform assessment was to develop appropriate land pricing for waterfront properties. In order to establish reliable front foot land values a number of different land valuation approaches were utilized. Reviews of vacant land and tear down sales (when available) dating back to 2002 were completed. Appropriate time and market condition adjustments were made when necessary. Furthermore, the extraction and allocation methods were implemented as further support for direct sales approach to valuation. The paired sales analysis was utilized to extrapolate applicable time adjustments.

- I) Review all vacant land and tear down sales
 - A) Establish front foot values for various waterfront areas
 - 1) Note any areas where there is an influence (i.e. traffic flow, size/shape, prestige, etc.)
- II) Utilize improved sales to establish extracted land values (also establishing land to building ratios)
 - A) From established land to building ratios the allocation method was implemented for further support
- III) Apply influences where necessary
 - A) Less prestigious river front areas
 - B) Traffic flow influence
 - C) Influence to offset parcels with excessive or unusual depth factor
 - 1) Particularly those due to areas of marsh land at rear of parcel

High Dollar Properties

It appears that the higher dollar executive neighborhoods have been graded inconsistently. Typically these are properties that range in grade from B+ and up. Part of the problem appears to be that based on higher sales prices in these highly desirable neighborhoods the improvement (cost) values have been artificially inflated through application of above accurate grades. While it is agreed that the homes in these type of subdivision are typically built to a higher standard in terms of quality and amenity, let it also be noted that a substantial portion of the higher sales prices are associated with the prestige of the various subdivisions. Based on the information available, the grades have been corrected to more appropriate levels which will inversely cause a rise in the neighborhood trending factors. Outlined below are the steps that have been taken to address appropriate uniform grading countywide for these types of subdivisions.

I) Field Review of these neighborhoods.

A) Uniform grading throughout the county

B) Grades in line with Indiana "Real Property Assessment Guidelines"

II) In Office Review of these neighborhoods.

A) MLS review provided additional insight as to the interior amenities of these properties

B) Review of original field notes from time of construction again for additional insight

C) Use of pictometry software to view roof lines, exterior features, etc.

III) General review of land sales to determine if current land values are acceptable

Residential Rental Properties

As previously stated, Elkhart County previously did not have any uniform methodology associated with the valuation of income producing residential properties. Based on recently passed legislation it was determined necessary to establish a reliable uniform system for gross rent multiplier valuation. To establish this system it was necessary to further develop the limited data the county currently had available and to further expand on it. Outlined below are the steps taken to develop accurate and uniform income valuation.

Phase 1) Rental Property Identification

A) Assessment Records

- I)** Properties without homestead exemption
- II)** Property class code
- III)** Property address vs. Owner address
- IV)** Sales Disclosure - non-primary residence

B) Outside sources

- I)** MLS Records - active, sold, expired, withdrawn income classification
- II)** Rental registration lists used by City Building Department
- III)** Classified Ads - online, newspaper, etc.

Phase 2) Neighborhood Delineation

A) Identify all market segments within the county-based on the following criteria

- I)** Geographical Area
- II)** Economic influences
- III)** Overall area appeal/desirability

B) Determine which of these market segments are comparable to one another

- I)** Review overall similarities of the area, influences, and desirability
- II)** Which areas have similar market rents, rental influences, etc.

C) Begin neighborhood delineation based on township

- I)** Next based on taxing district (Urban vs. Suburban)
- II)** Next based on single family vs. 2-4 unit (only when sufficient data exists)

D) Determine what neighborhoods are considered comparable (for trending)

- I)** Review which market segments are considered comparable
- II)** Compare all single family rental neighborhoods in the comparable market segments
- III)** Compare all 2-4 unit rental neighborhoods in the comparable market segments

Phase 3) Data Collection - see sample survey letter/data sheet

A) Total monthly rent

- I)** Broken down by rent per each unit

B) Improvement information

- I)** Total # of units
- II)** # of bedrooms per unit
- III)** # of bathrooms per unit
- IV)** Any included utilities
- V)** Lease terms
- VI)** 12-24 month vacancy information

C) Where to obtain this information

- I)** MLS Records
- II)** Classified Ads (online, newspaper, etc.)
- III)** Information submitted with appeals
- IV)** Survey letters sent to rental property owners

Phase 4) Market Data Development

A) Market Rent

I) After collection of extensive market data it is possible to extrapolate the market rent in relation to various amenities.

a) Unit (total monthly rent \div total # of units)

b) Bedrooms (total monthly rent \div total # of bedrooms)

c) Square feet from tax records (total monthly rent \div total square footage)

* Research has shown that the most consistent rental factor is overall square footage. This should however be examined on a neighborhood by neighborhood basis.

B) Gross Rent Multiplier

I) Organize available sales data by neighborhood, followed by sale date

II) Develop overall GRM for the comparable neighborhoods. (Sale price \div monthly rent) Use actual rental data. After removing any outliers from the statistical data set, properties should be arranged in order of sales date. By utilizing the sales data applicable to the time period a GRM is then developed for the neighborhoods.

III) By using linear regression modeling it is possible to determine overall trends in market rents, gross rent multipliers, etc. Based on the linear regression model for GRM the current GRM can be developed in relation to the trend line.

Phase 5) Valuation

A) Develop an income based value for each parcel in a neighborhood. (GRM x Market Rent)

B) By utilizing the pre-developed Excel spreadsheet it is possible to determine the income based value for each individual parcel. By subtracting the land value from the income value, you then have a GRM based improvement value. By comparing this value to the current (trended) improvement value a percentage of obsolescence can be derived. This obsolescence should then be entered into the PRC with notation that the reason is GRM valuation.

*Note that the Excel spreadsheets have already been developed and include the necessary mathematical functions and formulas to yield an accurate percent of obsolescence. The only alteration to the spreadsheet should be to the land and improvement values (from PVD) and the market rent/GRM for years of revaluation.

C) This should be completed bi-annually, for the off years utilize a trending factor in addition to the neighborhood factor.. This trending factor should utilize sales of rentals, for rental purpose. Sales of rental properties to purchasers for owner occupancy should be discarded from the sales ratio study.

Elkhart Township-Urban

Of all the areas within Elkhart County, the city of Goshen was the most notable area of concern. The urban area had the greatest number of inconsistencies, the problems included incorrect neighborhood delineation, improper grading and condition rating, incorrect effective year application, and poor rental property valuation. These factors and others ultimately led to incorrect assessments and inaccurate neighborhood trending factors. This was by far the most extensive of all the projects completed, the outline of the work performed to correct these issues is listed below.

Improvements:

The first step taken toward proper assessment was to list all the properties correctly. Due to the large number of inconsistencies it was necessary to go through the entire town and establish grade and condition ratings that were accurate and consistent. Prior to the reexamination of this area there were near identical homes listed with as much as a full letter grade difference. Below are the steps taken to correct these issues.

I) Field review of all urban properties

- A) Correcting grade and condition based on exterior inspection
- B) Application of effective year, based on noted exterior remodeling
 - 1) Effective year based on uniform county guidelines

II) MLS review of all waterfront properties

- A) Addition of any amenities not noted on tax records (extra fixtures, basement finish, etc.)
- B) Application of effective year, based on noted interior remodeling
 - 1) Effective year based on uniform county guidelines

Neighborhood Delineation:

The next issue noted was the inconsistent and incorrect delineation/stratification of the neighborhood boundaries within Goshen. For lack of a better description of the neighborhood boundaries, simply put there was absolutely “no rhyme or reason”. One notable problem was the over stratification of certain areas.

I) Field review to determine geographical boundaries noting the following.

- A) Physical similarities of properties
- B) Consistent use of properties (i.e. commercial, single family, multi, owner occupied)
- C) Condition similarities of properties (upkeep vs. deferred maintenance, etc.)

II) MLS review to determine economic boundaries noting the following.

- A) Research to help note areas with similar sales price per square foot, and similar homes

III) GIS maps

- A) With the above data collected and sorted GIS was used to map the data
- B) Per collaborative effort GIS was utilized for the creation of new geographical neighborhood boundaries

IV) Finalization

- A) All properties moved to the new neighborhoods
- B) Rental properties placed into their own neighborhoods
- C) Stratification will be revisited to see if it is necessary in any of the neighborhoods
- D) Neighborhoods reinspected to determine if slight adjustments are needed to new boundaries

Land Valuation:

The largest inconsistency noted was the use of site valuation as opposed to typical valuation in CAMA.

I) Remove site value

- A) Measure parcels per GIS
- B) Add dimensions to PVD
- C) Apply appropriate front foot factor for the neighborhood

Neighborhoods with Inconsistent Trending Factors

The majority of these neighborhoods were corrected in the course of the previously noted sections, however, there were a handful that remained. These are the neighborhoods that the trending factors either changed substantially from one year to the next, or the trending factor was unusually high or low. The steps taken to correct these issues were relatively simple by comparison to the other issues we have addressed.

Improvements:

The first step taken toward proper assessment was to list all the properties correctly. These remaining neighborhoods were not nearly as inconsistent or incorrect, therefore, the majority of the work completed was to double check for accuracy and make minor adjustments where necessary.

I) Field review of all urban properties

A) Correcting grade and condition based on exterior inspection

B) Application of effective year, based on noted exterior remodeling

1) Effective year based on uniform county guidelines

Land Valuation:

The land valuation in these neighborhoods were reviewed for consistency and accuracy. The review did not show any abnormalities within these neighborhoods that would yield incorrect land valuation. Therefore, no changes were made to the land at this time.

Neighborhoods Constructed Prior to 1940

The largest problem in these neighborhoods was determined to be inconsistent application of grading and condition rating. It appears that over an unknown time period the grades of these properties were lowered as opposed to the correction of condition ratings. The lower grades have resulted in skewed neighborhood trending factors. To correct this problem a number of steps were taken. These steps are outlined below.

I) Field review of applicable neighborhoods

- A) Correcting grade and condition based on exterior inspection
- B) Application of effective year, based on noted exterior remodeling
 - 1) Effective year based on uniform county guidelines

II) MLS review of all applicable neighborhoods

- A) Addition of any amenities not noted on tax records (extra fixtures, basement finish, etc.)
- B) Application of effective year, based on noted interior remodeling
 - 1) Effective year based on uniform county guidelines

III) Effective years were developed based on remodeling, updating, and further upgrades that reduce the depreciation of the property.

2009 Commercial/Industrial Evaluation

Problem:

It has been noted (similar to residential) that with the absorption of five township assessors offices into the county assessors office there were a great number of inconsistencies. With regards to the subjectivity of grading, condition rating, delineation, and stratification there have been numerous different assessors and field appraisers that have made arbitrary determinations inconsistently. Furthermore, it was noted that in industrial and commercial application there were discrepancies in the classification of building type (particularly kit type buildings) and land use. There was a distinct need for transition to a consistent countywide standard.

These inconsistencies were not necessarily bound by township lines, within the same township, city, and even neighborhood the grading scale, condition rating, etc. have been determined to be incorrect. Furthermore, it was determined that there was a distinct need for uniform building classification and land use classification.

Lastly, there have been notable issues in the software conversion from CAMA to PVD which have caused slightly skewed figures. The glitches range from problematic land value conversion to discrepancies with improvements. Listed below are the major noted differences in value.

Land

- *Small acreage adjustments did not all transfer to PVD correctly

- *Small acreage adjustments were not eliminated from contiguous multi-parcel with the same owner

Improvements

- *Yard Items did not transfer consistently or correctly.

- *CAMA 800 field did not properly transfer to PVD

- *PVD had a different (higher) interpretation of Kit type buildings

- *Commercial depreciation varied from the previous system

Solution:

Based on these findings, it was determined necessary to reevaluate the overall accuracy of assessment data in specific areas, and overall consistency of the county. The level of detail was determined by the overall accuracy of various areas, some areas were in need of greater evaluation than others. Also, all possible measures have been taken to ensure accuracy of PVD. Noted below are the major points of interest, these are the areas that have been corrected in 2009.

Areas of Greatest Concern:

*Land Use/Valuation

- *Consistent delineation of neighborhood boundaries for land pricing

- (Neighborhoods changed to achieve consistent land pricing in each geographical area)

- *Correct listing of primary, secondary, and usable undeveloped land

*Building Classification/Grading

- *Kit building classification

- *Correct GCI grading

*Countywide Consistency

- *Apply the changes uniformly throughout the entire county

Commercial & Industrial Land

The largest area of concern involving commercial and industrial land valuation was inconsistency. The improper delineation of land resulted in widespread use of influence factor application to arrive at semi-accurate values. It was necessary to completely re-delineate the commercial/industrial neighborhood boundaries. Furthermore, market data has shown that there is some discrepancy between the actual market values for secondary and usable undeveloped land versus the manner in which we have previously valued these tracts. The procedures outlined below are a summary and do not necessarily provide thorough detail as the overall depth of the work that went into the final valuations.

I) Remove influence factors

- A) These were removed so we could begin re-valuation with true figures
- B) Influence factors were left in place when they were there for legitimate reasons (i.e. retention/drainage areas etc.)

II) County wide review of neighborhood delineation

- A) Utilizing GIS maps to note inconsistencies
- B) Move parcels to proper neighborhoods
 - 1) Correct land valuation for proper neighborhood

III) Review Sales

- A) Re-delineation based on sales and geographical data

IV) Market based land equalization (in accordance with county data and state acceptable practices)

- A) Looking at market data valuation for primary, secondary, and usable undeveloped needed adjusted
 - 1) Primary-100% (previously 100%)
 - 2) Secondary-95% (previously 70%)
 - 3) Usable undeveloped-90% (previously 30%)

Commercial & Industrial Improvements

With regards to commercial and industrial improvements there were a number of problems and inconsistencies noted. The major issues were with kit type buildings, concrete block industrial buildings, and older wood frame buildings. Also, it was noted that franchise buildings (fast food, etc.) were not consistently assessed in accordance with Indiana Real Property Assessment Guidelines. The following measures were taken to ensure accuracy and consistency in the improvement portion of the assessment process.

I) Kit type buildings (GCK)

A) Identification

- 1) Research completed into the construction methods of GCK buildings
- 2) Conversations with local builders who are most familiar with these structures

B) Correct Listing of GCK

- 1) Buildings incorrectly listed as GCI were moved to GCK cost schedules
- 2) All GCK buildings graded consistently (C-1)
 - a) With the exception of wood frame structures built prior to 1975 (graded D)
- 3) Proper corrections for low profile roof design when applicable.

II) General Commercial Industrial

A) Review to determine if the buildings are properly listed as GCI

B) Remove obsolescence and market adjustments (except for economic obsolescence from appeals)

C) Correct listing of GCI properties

- 1) All GCI buildings graded consistently (graded C, with few exceptions)
 - a) Concrete block buildings (graded D)

III) Franchise Buildings (fast food, banks, etc.)

A) Re-grade consistently (in accordance with accepted guidelines)

- 1) Fast Food (graded B)
- 2) Box stores (graded C)
- 3) Convenience stores (graded C+1)
- 4) Supermarkets (graded C)
- 5) Pharmacies (graded C+2)
- 6) Full service banks (graded B)

Sales Ratio Verification 2009

Attached you will find an electronic copy of the file labeled "sales ratio verification 2009". The premise to this file is the re-visitation of valid/invalid sales. As a result of all the work that has gone into revaluation of these neighborhoods some invalid sales may have become valid. Furthermore, it was determined that for the first time a portion of our local markets appear to be driven by foreclosure type sales. Given this consideration many sales that were automatically marked as invalid due to short-sale or foreclosure (bank to purchaser) are now in fact valid sales representative of the market. The file notes any changes made to the valid/invalid status of these parcels and an explanation as to why the change was warranted.

2009 Residential Work Files

Attached you will find an electronic copy of the file labeled “2009 Res Work Files”. The premise of this file is expansion of the neighborhood notation for trending. As a result of all the work that has gone into revaluation of these neighborhoods some factors seem out of place when compared to 2008. The notes field in this file discloses any changes made to each neighborhood that may have caused inconsistent trending numbers.